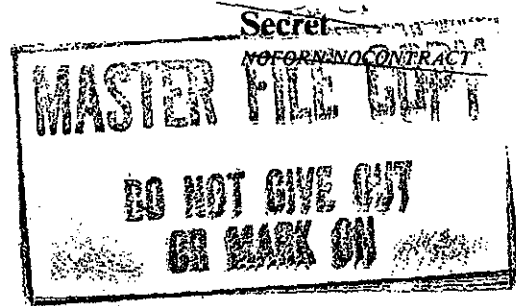




Director of
Central
Intelligence

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02-Mar-2016



El Salvador: The Outlook for the Duarte Government

National Intelligence Estimate

~~Secret~~

NIE 83.1-85
March 1985

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EL SALVADOR: THE OUTLOOK FOR THE DUARTE GOVERNMENT

Information available as of 27 February 1985
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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

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The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

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KEY JUDGMENTS

We believe that, on balance, President Jose Napoleon Duarte has made a viable start toward achieving political stability in El Salvador. Most important, he has:

- Broadened support for his government and policies in the United States, and gained additional backing from other governments while helping to bring about a sharp decrease in guerrilla credibility and popular support.
- Managed to keep the insurgency and its allies on the extreme left generally on the defensive; indeed, insurgent prospects are worse than at any time since the movement was formed in 1980.
- Through his actions accelerated the downward trend in political violence to the point where it is at the lowest level in over five years (civilian deaths dropped from about 1,700 in 1983 to 750 in 1984).
- Helped more moderate political forces to gain strength to the degree that many influential leaders have moderated their confrontational behavior of the past and are participating more fully in the democratic process.
- Gained the provisional cooperation of most top military officers, even though they will not allow him to interfere with their institutional core interests.
- Elevated the hopes of the populace that peace and prosperity can be brought through the constitutional framework put in place in 1984. ~~(S NF)~~

At the same time, however, Duarte has failed to gain the confidence of the private sector, and has delayed necessary economic austerity measures unpopular with his political constituency. Furthermore, several actions late last year—especially his attempt to promote a favored military officer and his unconstitutional veto of an electoral law—resulted in a backlash in the military and played into the hands of his rightist opponents. ~~(S NF)~~

Thus, Duarte's efforts to build his political strength by slowly expanding the moderate political forces will continue to be constrained by:

- The realization that some military officers would relish any opportunity or excuse to remove him from office.

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- The continuing strength of rightwing parties and groups, especially the National Republican Alliance (ARENA) party.
- The military strength and geographic dispersion of the insurgency and its continuing ability to inflict damage on the economy.
- The control by rightist parties of the Legislative Assembly, where the Christian Democratic Party (PDC) has only 24 of the 60 seats.
- The need to tailor his policies in order to retain international legitimacy and obtain substantial amounts of US economic and military assistance.

Finally, Duarte's often personalistic, dogmatic, and sometimes impulsive leadership has been a major obstacle in improving relations with opposition groups and the private sector. ~~(S NF)~~

The Outlook for the Elections

All the Assembly seats and 261 municipal councils throughout the country will be contested in the balloting on 31 March, and we believe it will be another important test of the nascent democratic system in El Salvador and the ability of the government to continue attracting international support. Duarte's principal objective will be to win a large enough vote to gain a personal vote of confidence and, optimally, to deny the right a majority in the Assembly. ~~(S NF)~~

The most likely outcome in the Assembly elections is for a PDC plurality of the popular vote similar to the one the party won in 1982, and, at best, it may add a seat or two. The extreme rightist ARENA party of Roberto D'Aubuisson will probably hold on to at least the 19 seats it won in 1982. The moderate rightist National Conciliation Party (PCN) will probably gain enough seats to hold the balance of power in the 60-seat Assembly. The smaller parties will finish well down the scale. ~~(S NF)~~

Once again, the "quality" of the process and voting will be subject to scrutiny by international observers. Any military or rightwing violence or voting irregularities would taint the legitimacy of the results. In all likelihood the guerrillas will seek to disrupt and devalue the process by attacking isolated towns and economic targets, and by intimidating the populace. ~~(S NF)~~

Barring the assassination of Duarte or some other key official, the potentially most damaging development could be some spectacular guerrilla successes immediately preceding or coinciding with the elections. ~~(S NF)~~

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A key test will be the total number of municipalities where the guerrillas are able to prevent voting. On balance, however, we judge that the insurgents will not succeed in significantly disrupting the elections, and that the balloting will be conducted relatively smoothly and free of fraud. ~~(S NF)~~

The Military Balance

We believe that the decline in popular support for the insurgency that has occurred over the last two years or so has accelerated since Duarte took office last year. This is due to the high levels of participation in and enthusiasm for recent national elections, reforms implemented since 1980, the sharp decline in rightwing death squad activities and other abuses, and the growing belief that radical and violent tactics have only made the country's problems worse. The insurgents have also been hurt by reaction against their attacks on economic targets, by their forcible recruitment of youths, and probably by a rising perception that they are engaged in a losing cause. ~~(S NF)~~

We believe that the total number of armed insurgents peaked between 9,000 and 11,000 in 1984, and that their strength is likely to decline over the next year or so. The guerrilla coalition remains a potent and destructive force, nevertheless, and will undoubtedly be able to inflict continuing damage on the military and the economy. Insurgent leaders are shifting their strategy to rely more on small-unit tactics, are attempting to rebuild their infrastructure in San Salvador to conduct urban terrorism, and are endeavoring to open a new front in relatively weakly defended areas of western El Salvador. ~~(S NF)~~

On balance, therefore, we conclude that Duarte has inherited an improving military situation, and many key trends affecting the military balance of power—including relative manpower strength, casualties, weapons losses, and foreign and domestic popular support—now appear to be running in the government's favor. We believe, furthermore, that the favorable trends will continue, despite the likelihood of sporadic tactical setbacks and continuing deficiencies in military performance. These trends will probably lead to only gradual attrition of the insurgent rank and file over the next years, and will not threaten the insurgent infrastructure unless Salvadoran strategy and tactics are changed to achieve that objective. ~~(S NF)~~

The support of the United States has been the key element in holding the democratic process together. US financial support has underwritten this process and has allowed a significant, direct input of US advice and assistance in formulating domestic political, economic, and military policies. We believe that, if US attention and resources

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continue during Duarte's term as they have for the past few years, the President has a better-than-even chance to complete his term in office. Nevertheless, he will have to continue walking a political tightrope, seeking on the one hand to retain—and perhaps expand—support in his traditional constituencies on the left, while compromising with interests on the right. ~~(S NF)~~

The Political Outlook

Assuming that Duarte and his government get through the Assembly elections without suffering any serious setbacks, they will still face many powerful forces arrayed against them, and will be severely constrained in their ability to advance programs or initiatives opposed by the military, rightist political parties, and other opposition groups. The President's room for maneuver will continue to be narrow, and, as in the past, he will be forced to seek tactical alliances on certain issues in order to make legislative progress. ~~(S NF)~~

We believe Duarte will continue to press for certain core objectives—judicial reform, consolidation and extension of agrarian reform, wage and other benefits for workers—but, if he is to achieve anything in those areas, he will be forced to make major concessions in order to win necessary support from more moderate elements in the opposition parties. Such concessions might include, for instance, placing conservative and private-sector representatives in his cabinet, allowing businessmen greater freedom to market coffee independently of the government monopoly, and undertaking economic and financial reforms beneficial to private-sector interests. ~~(S NF)~~

If Duarte were to adopt a conciliatory stance toward conservative and business interests, the chances would improve over the next year or so that a working arrangement between the executive and legislative branches, and between the public and private sectors, will evolve on important national issues. A more likely outcome is for periods of continuing tension, punctuated by periods of intense strain. ~~(S NF)~~

One of the greatest dangers in our view is that Duarte will refuse to allow conservative and private-sector interests a greater economic and political role. We are concerned, for instance, that he will not be able sufficiently to overcome his previously strong populist biases. ~~(S NF)~~

Moreover, Duarte remains under considerable pressure from left-wing members of his party and his traditional constituencies, especially labor and peasant groups, to adopt activist and demand-side policies like those he advocated until a few years ago. It would be impossible, however, for him to go very far with such approaches over the next two years because opposition from the military, the Assembly, and the private sector would be so great. ~~(S NF)~~

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Other Factors Affecting Stability

Political institutions and frameworks for peacefully resolving disputes have only recently begun to emerge in El Salvador. Assassination of the President remains a major danger. If Duarte were assassinated, Vice President Rodolfo Castillo would be unlikely to fill the vacuum for long, and a period of rising instability would ensue. ~~(S NF)~~

Moreover, adding to the potential for instability is the state of the Salvadoran economy. Last year's modest growth was achieved primarily because of US aid, and per capita income has continued to stagnate.

~~(S NF)~~

Another key factor affecting stability over the next few years is likely to be the degree to which Duarte and the military leadership remain united in dealing with the guerrillas. Duarte has emphasized that he wants to eliminate the insurgency by 1986, and will be likely to persist in efforts to win military backing for a new round of talks, despite the tensions such efforts will generate. The military leadership, in contrast, will prefer that new talks be contingent on dramatic progress in the counterinsurgency and unmistakable evidence that the guerrillas are in serious trouble. ~~(S NF)~~

A key incentive to attract some part of the radical left into the democratic process would be a broad amnesty law. The rightist factions in the Assembly probably will insist that any provisions for pardoning guerrillas also apply to those on the right accused of political crimes. Nonetheless, we believe some offer of amnesty will be likely this year, if only because it would probably cause more guerrillas to defect. Most guerrilla leaders are committed to a prolonged struggle, however, and they are unlikely to accommodate themselves to the Duarte government without winning major concessions. ~~(S NF)~~

Cuban and Soviet Interests

Material support and guidance from Cuba and Nicaragua are key elements helping to sustain the insurgents, but such support has been constrained by concern in those countries over a potentially greater US role in the region and increased military and economic pressure on Managua. We believe that Cuba and Nicaragua will continue to facilitate the supply of material aid to the Salvadoran guerrillas, although Castro's primary concern remains the security of the Sandinista regime. For their part, the guerrillas are almost certainly concerned about the reliability of their external support system. ~~(S NF)~~

The USSR has provided propaganda support and training to the guerrillas, and has facilitated arms deliveries as well. It probably will continue to do so. Soviet leaders have become wary, however, of any

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closer identification with the insurgency, and Moscow's earlier confidence that the guerrillas stood a good chance of winning has waned over the last year or two. (~~S NF~~)

Implications for the United States

Despite the relatively favorable prospects for political, military, and—to a lesser degree—economic progress in El Salvador over the next year or so, continuation of these trends will require large amounts of US military and economic aid. Although the insurgency is likely to decline, eliminating its root causes will depend on significant economic and social progress in El Salvador. Furthermore, the country's emerging democratic institutions are likely to remain fragile for years to come. Given the entrenched political opposition to Duarte, the stability of his administration and his success at co-opting more flexible elements of the opposition will hinge to a large measure on perceptions regarding US political support. (~~S NF~~)

Ultimately, the role of the military will remain central to the government's overall prospects. Continued success in the counterinsurgency effort could tempt the armed forces to reinsert themselves more directly into the political arena and more openly vent resentment against perceived US interference. Nevertheless, the military's current dependence on Duarte for continued US assistance is likely to remain a powerful restraining factor. (~~S NF~~)

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DISCUSSION

Background

1. During his first nine months in office, Jose Napoleon Duarte has won considerable support as the popularly chosen president of a nation beginning to emerge from years of revolutionary trauma. His election in May 1984 in the runoff against extreme rightwing challenger Roberto D'Aubuisson, and the inauguration in June, were belated vindication for his reformist efforts to provide a democratic and nonviolent alternative to the warring extremes that have ravaged El Salvador. (S NF)

2. Duarte's frequently stated objectives are no less ambitious than to preside over the consolidation of genuine democratic government and to transform a violently sundered society into a tranquil, prosperous, and equitable one. While these goals are probably beyond his capabilities in a five-year term, he has made some progress. Most significantly, he has:

- Broadened support for his government and policies in the United States, and gained additional backing from other governments.
- Helped to defuse the human rights issue both at home and abroad.
- Gained the provisional cooperation of most top military officers, even though they will not allow him to interfere with their institutional core interests.
- Managed to keep the insurgency and its allies on the extreme left generally on the defensive.
- Elevated the hopes of the populace that peace and participatory government can be wrought through the constitutional framework put in place in early 1984. (S NF)

Duarte's Political Strategy

3. On balance, we believe Duarte has ordered and managed his priorities skillfully, although he recently has made some serious mistakes. One of his highest priorities has been to maintain strong and diverse backing for his government and policies in the United States, while also gaining wider international legitimacy and support. Since his inauguration he has traveled several times to the United States and has also visited a

number of West European and Latin American countries, where he has lobbied and impressed a broad spectrum of leaders and interest groups. He has won increased support in the United States, and has also helped persuade the governments in West Germany, Colombia, and Venezuela to pledge financial assistance. Several countries have upgraded their diplomatic relations with El Salvador, and more are likely to follow suit. And, as these trends have reinforced the Duarte government, the international standing of the guerrilla coalition has continued to deteriorate. Even Mexico and France—which in August 1981 (when Duarte was the junta president) recognized the insurgent coalition as a "representative political force"—have improved relations with the government. (S NF)

4. Duarte's election and his enhanced personal popularity seem to have accelerated the cooling of "revolutionary fever" that has gripped El Salvador since the late 1970s. Most significantly, popular support for the insurgency has declined since Duarte took office, even in many remote areas where the guerrillas have long been entrenched. This is due largely to the growing perception that the balance of power has tilted in favor of the government and to the more wanton tactics the guerrillas have employed—including the large-scale forced inductions of youths and economic sabotage. We believe that morale in the guerrilla ranks has also deteriorated over the last year or so because of the more aggressive and effective counterinsurgency operations and their declining international support. (S NF)

5. Meanwhile, Duarte's actions have accelerated the downward trend in political violence. US Embassy statistics show a sharp drop in civilian deaths in 1984—from about 1,700 in 1983 to 750 in 1984. The level of such violence in recent months has been the lowest in over five years. Even Salvadoran Catholic Church and leftwing human rights groups have conceded that abuses of civilians and rightwing death squad activities have declined. Sustained US pressure on the military and security forces, highlighted by Vice President Bush's visit to El Salvador in December 1983, has had a major impact by discouraging abuses and strengthening Duarte's efforts to increase his leverage over the military and security forces. Several important steps have been taken as a result. These

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include the removal of a few of the most notorious human rights offenders from senior positions in the uniformed services, the reorganization of internal security functions under a new deputy defense minister, and tougher requirements governing the use of artillery and airstrikes in populated areas. (S NF)

6. As violent and antidemocratic forces on leftwing and rightwing extremes have been weakened, and more moderate political forces have gained strength, many influential leaders have moderated the confrontational behavior they exhibited in the past and are participating more fully in the democratic process. The National Conciliation Party (PCN)—the third-largest party—has attempted to function as a constructive conservative opposition on several key issues. With few influential exceptions, moreover, the hierarchy of the Catholic Church has muted the liberation theology that many bishops and priests preached in the past, and has increasingly supported Duarte's efforts. Among other indications of the growing desire to end the polarization and bloodshed of recent years was the reopening in mid-1984 of the national university in San Salvador—previously a center of revolutionary activism. Thus, by capitalizing on and accelerating favorable trends that began gaining strength in the months before he was sworn in, Duarte has made significant progress in enhancing the domestic legitimacy of his government and of democratic institutions and practices. (S NF)

7. Duarte's foremost domestic priority since assuming the presidency has been to gain the confidence and assuage the fears of opponents in the officer corps. For two decades after he helped found the Christian Democratic Party (PDC) in 1960, he was anathema to them. Within weeks of his inauguration, however, he began to impress some of his erstwhile adversaries that he shared their strong commitment to defeating the Marxist-Leninist insurgency. By acting decisively during a major guerrilla assault on the Cerron Grande Dam and power plant in June 1984, he was able to turn what otherwise was the most damaging and demoralizing insurgent action in months into a political gain. (S NF)

8. Since then, he has also made some progress in enhancing military support for democratic institutions and practices by frequently consulting with senior officers, visiting military units and barracks, and campaigning energetically to gain the respect and loyalty of the officer corps. He has had to work hard, nonetheless—and with mixed results—to persuade top officers that it is in their best interests to endorse certain of his initiatives. Though reluctant at first, for

instance, they eventually agreed last October to support his efforts to promote a dialogue with the guerrillas. He apparently also was able to persuade Defense Minister Vides to cashier a junior officer who was implicated in the murders in 1981 of two US labor advisers. It works strongly to his advantage, of course, that in these and other initiatives, Duarte is either pressing for an issue of strong interest to the United States or is confident of US backing. (S NF)

9. On the other hand, the officer corps continues to distrust Duarte and remains strongly committed to limit his power and closely monitor his activities. His most serious and costly mistake thus far in relations with the military occurred in December 1984 when he pressed for the promotion of a favorite colonel—Vice Minister of Defense for Public Security Carlos Reynaldo Lopez Nuila—to general. Lopez Nuila is distrusted by many of his high-ranking peers, who also point out that promotion to flag rank has traditionally been restricted to officers with combat experience, whereas Lopez Nuila is a combat support officer. Duarte's attempts to promote him over these objections, and military fears that he might become the next Defense Minister, provoked strong resistance and rumors of coup plotting, and forced Duarte to back down. Whether or not Duarte was in serious danger of being overthrown, top officers desired to demonstrate dramatically to the President—and probably also to the United States—that, while they will cooperate in gradually extending democratic rule, they will not in the foreseeable future allow their core interests to be threatened. (S NF)

10. Thus, we believe that regardless of how they view Duarte and the changes he has brought, officers are nearly unanimous in their determination to preserve the unity of the military and to uphold many of its traditional prerogatives. Specifically, they will continue collectively to wield decisive influence over him in the following major areas:

- Choosing their own leaders, including the Minister of Defense, and determining promotion policies.
- Organizing, disciplining, provisioning, and deploying the armed forces according to their own standards and maintaining its unity and morale.
- Determining national security priorities and imperatives, especially in regard to the guerrillas and their foreign allies.
- Preserving conservative interests in an anti-Marxist setting. (S NF)

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11. The President has also given a high priority to advancing his more partisan goals of expanding popular support for himself and the PDC. He would like to wrest control of the Legislative Assembly away from the rightist parties that have formed a majority there since the elections in March 1982. New Assembly elections are scheduled for 31 March 1985. ~~(S NF)~~

12. Duarte is perhaps even more devoted to promoting his own place in history as an international peacemaker and Salvadoran father figure. Though so far he has made sure that these goals and impulses have not overshadowed the bipartisan priorities previously mentioned, he has recently spurred old fears among influential opposition groups that he is at heart a radical demagogue. His well-known penchant for personalistic, dogmatic, and sometimes impulsive leadership continues to be a divisive element in his relations with opposition politicians, businessmen, other conservative leaders, and some military officers. They fear that Duarte is determined above all to enhance his and his party's popularity by attracting additional support from the left, and that he intends eventually to pursue more populist policies aimed at redistributing wealth and power at their expense. ~~(S NF)~~

13. Important elements of his performance have given some substance to these concerns. Duarte has not encouraged the private sector and has measured economic policy mainly with an eye on the lower classes. Although the economy grew by about 1 percent in 1984—after five years of contraction or stagnation—this was more the result of high levels of foreign assistance and the sound policies adopted by his predecessor—interim President Alvaro Magana—than any enacted by Duarte. In fact, by failing to begin negotiations with the IMF or adopt policies aimed at stimulating the private sector, the government has delayed essential but unpopular economic adjustments. With inflation already at about 15 percent and unemployment over 30 percent, Duarte is loath to take actions that, in the short term at least, would most hurt the poor and urban-working-class groups that have long been his core constituency. Policies aimed at attracting foreign investment and providing inducements to local entrepreneurs would probably result in stronger economic growth, but he has preferred to postpone such measures at least until after the Assembly elections. ~~(S NF)~~

14. Duarte obviously has concluded that it is more important to reward his longtime political allies and constituents now that they finally can share in the political spoils, and has relied almost exclusively on colleagues from the Christian Democratic Party. The

two most competent and experienced in his cabinet are Minister of the Presidency Julio Rey Prendes and Planning Minister Fidel Chavez Mena. The latter, however, has been excluded from the inner circle by a jealous Duarte, who apparently still resents Chavez Mena's concerted challenge in 1983 to wrest the party's presidential nomination from him. Members of the economic cabinet are widely regarded as weak or incompetent, and most of the remaining cabinet members are also without solid administrative or substantive credentials. ~~(S NF)~~

15. If he had been willing to reach out to the private sector or to conservative opposition figures for needed administrative and technical talent, Duarte would have been able to consider a large number of experienced and highly qualified individuals. Though, for instance, the PCN continued to seek an alliance last year with the PDC, Duarte spurned their overtures. His refusal provoked PCN leaders to join with D'Aubuisson and other small rightist parties to elect conservatives to all Supreme Court seats and the country's top judicial posts. Furthermore, the PCN has formed a temporary electoral alliance with the National Republican Alliance (ARENA). ~~(S NF)~~

16. On balance, nonetheless, we believe that Duarte has made a viable start toward putting in place the building blocks of future political stability. He understands that he operates at the volatile center of a still polarized political culture and can have few illusions that the centrifugal forces and enmities that have fueled one of Latin America's most violent and protracted revolutionary processes are likely to be eliminated during his term in office. Similarly, he knows that a variety of domestic and external forces will continue to constrain him. Most important among them are:

- The realization that some military officers would relish any opportunity or excuse to remove him from office.
- The continuing strength of rightwing parties and groups, especially D'Aubuisson's ARENA.
- The military strength and geographic dispersion of the insurgency and its continuing ability to inflict damage on the economy.
- The control by rightist parties of the Legislative Assembly, where the PDC has only 24 of the 60 seats.
- The need to tailor his policies in order to retain a high degree of international legitimacy for his government, especially in the United States, and indefinitely to acquire substantial amounts of economic and military assistance. ~~(S NF)~~

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17. We believe that over the next month or so, Duarte's domestic political strategy will reflect a stronger and more conspicuously partisan and divisive commitment to increase PDC power through the elections for the Legislative Assembly and local governments. We believe the issues, political dynamics, and dangers to stability—including leftwing and rightwing violence—will probably be much like those that characterized the previous elections since March 1982. Duarte's principal objectives will be to ensure the greatest possible legitimacy of the elections in local and international opinion, to win a personal vote of confidence through increased PDC representation, and, optimally, to deny the right a majority in the Assembly. (S-UR)

18. As in previous elections, Duarte will confront the powerful forces of rightist parties determined to retain or expand their position in the Assembly and to protect the interests they represent. In the first round of the presidential balloting in March 1984, the total of ARENA and PCN votes (the parties ran independent campaigns) constituted a majority in 13 of the country's 14 departments. Duarte was only able to carry San Salvador, which, because of its much greater population and strong Christian Democratic organization, has traditionally been the party's stronghold. In the May 1984 runoff between Duarte and D'Aubuisson, furthermore, the latter carried 10 of the departments, including all of the northern and eastern areas of the country that have been most affected by the military conflict. D'Aubuisson attracted over 46 percent of the national total, reflecting both strong anti-Christian Democrat sentiment and an endorsement of his hard line toward the guerrillas. (S-NF)

19. Though ARENA has suffered recently from organizational and funding problems, D'Aubuisson's pugnacious and charismatic style and hardline prescriptions for dealing with the guerrillas continue to have great appeal. The former Army major is already resorting to his standard style and berating the Duarte government for being too soft in dealing with the insurgency, insufficiently nationalistic, and hostile to business and traditional interests. D'Aubuisson will also continue to be the preferred candidate of many military officers, and probably will benefit in a few parts of the country from their help in persuading local people to vote for him. In recent months, he has visited several departmental military commands to buttress his standing and ridicule the government.

Given his past performance and involvement with rightwing terrorism, moreover, D'Aubuisson may also condone or direct assassinations and other acts of violence during the campaign in order to advance ARENA's interests and undermine those of the Christian Democrats. (S + F)

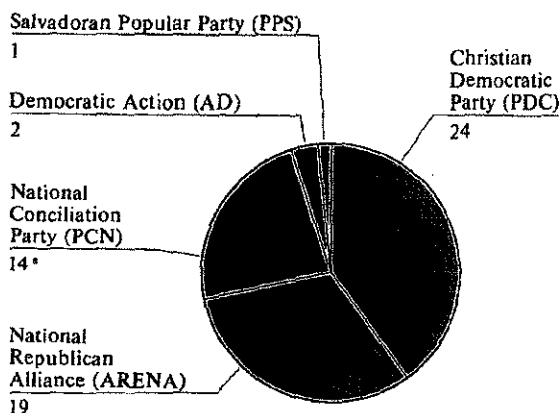
20. As in recent elections, the conservative PCN will probably again emerge as the key to the balance of power between the Christian Democrats and ARENA. It is the oldest party on the right and during the 1960s and 1970s was the favored party of the military. It has maintained a solid base of support and organization in many rural areas. It is strongest in the east, where its presidential candidate Francisco Guerrero won a plurality of the vote in his home department of La Union in March 1984. The party may be handicapped in the coming elections because, as the new Chief Justice of the Supreme Court, Guerrero will be unable to run or campaign actively, and because of the defections of some of its more rightwing members who formed the PAISA party in 1982. Nonetheless, the PCN name and logo are well known throughout the country, and its new leader, longtime party Secretary General Raul Molina, has the support of the party organization and its youth wing. On balance, we believe the PCN will fare about as well as it did in 1982 and 1984, gaining in the neighborhood of 20 percent of the vote. (S NE)

21. Duarte is likely to place high importance on the municipal elections that will be held in cities and towns throughout the country. He will probably help select promising and agreeable candidates for major mayoralties and other local offices, with an eye on expanding the Christian Democrats' popular support and low level of official representation in much of the countryside (it presently controls 72 of 261 municipalities). If the ARENA and PCN alliance holds and they retain the lion's share of local offices, the government may find its efforts to implement pacification, civil defense, or other programs aimed at rebuilding local infrastructure hampered by partisan squabbling. And, if the Christian Democratic Party is looking ahead to a postrevolutionary era in which the guerrillas have either been defeated, driven into remote areas, or largely abandoned the armed struggle, it must be concerned about how little influence and official representation it is likely to have beyond Metropolitan San Salvador and the large provincial cities. (SUF)

22. All 60 National Assembly seats will be contested, and the outcome will have major consequences for

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Figure 1
1982 Representation
in the Legislative Assembly



* Most PCN deputies broke from the party in 1982 and formed their own PAISA party, but the latter will not be a major factor in the 1985 elections.

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Duarte's prestige and the balance of power between the Christian Democrats and the opposition parties. D'Aubuisson and other conservative and rightwing leaders can be expected to campaign energetically for their slates with the hope that—at a minimum—they can prevent the Christian Democrats from winning more than the 24 seats they currently have. If the rightist parties succeed, and if ARENA finishes in a strong second place, D'Aubuisson may again be elected Assembly president. He would need the support of the PCN—which frequently has voted with ARENA—and any of the small rightist parties that may retain representation in the new legislature (see figure 1). (S NF)

23. The most likely outcome in the Assembly elections is for a Christian Democratic plurality in the popular vote on the order of those the party won in 1982 and 1984, and that at best it will pick up a seat or two. By campaigning persistently and capitalizing on his government's accomplishments, Duarte should be able to retain or slightly expand the party's traditional constituency. We believe the center-right Democratic Action party (AD), which has two cabinet posts and is allied with the Christian Democrats, will be hard pressed to retain the two seats it won in 1982. Any

reduction in the Christian Democrat's present 24-member delegation would damage Duarte's credibility and further inhibit his maneuverability through May 1988, when the three-year terms of the new deputies will expire. (S NF)

Key Dangers Associated With the Elections

24. As in the 1982 and 1984 elections, the "quality" of the process and voting will have major implications for the legitimacy of the Duarte government. We expect that once again international observers will be present at polling places and that any military or rightwing intimidation or voting irregularities will be used against the government in the international media. In all likelihood, the guerrillas will seek to disrupt and devalue the process by attacking isolated towns and economic targets, by mounting roadblocks, conducting sabotage, and, through a concerted propaganda campaign threatening the populace with death or injury if they vote. Meanwhile, military forces will be challenged to keep as many polling places as possible open. (S NF)

25. A key test of the evolving balance of power, which will probably receive considerable international attention will be in the total number of municipalities where the guerrillas manage to prevent voting. That number rose from 28 in the March 1982 voting to 53 in the May 1984 elections, though most of the affected places are sparsely populated—or uninhabited—and in remote regions. The government would be embarrassed if it could not guarantee voting in at least as many towns as in 1984. (S NF)

26. Finally, the potentially most damaging development could be some spectacular guerrilla successes immediately preceding or coinciding with the elections. Key insurgent leaders, such as Joaquin Villalobos of the People's Revolutionary Army (ERP), may gamble on concentrating their forces and firepower in an effort to accomplish this objective. Despite their weaknesses and divisions, and the likelihood that they will not receive major new infusions of Cuban or Nicaraguan support prior to the elections, the insurgents retain the capability to mount selected assaults by large units on targets in various parts of the country. Guerrilla units have been moving west in recent months into northern Santa Ana and Sonsonate departments, and are also endeavoring to rebuild an urban infrastructure. Guerrilla operations during the election campaign may also be characterized by increased terrorism in San Salvador, with US officials and installations as potential targets. Nevertheless, we doubt that even concerted insurgent actions will seriously disrupt the elections. Perhaps the most serious

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Improvements in the Salvadoran Armed Forces Through US Military Assistance

The armed forces' counterinsurgency assets have expanded dramatically since 1981 to include:

- Troop strength has more than tripled to about 44,000 including 32,000 armed forces and 12,000 public security forces. Five immediate-reaction battalions, an airborne battalion, an elite long-range reconnaissance company, and other special and commando units have been added.
- US-provided modern infantry and artillery weapons and mobile communications gear have further improved operational capabilities.
- Air assets have expanded rapidly and now include 35 UH-1H "Huey" helicopters (with four others designated as medevac), two armed Hughes 500 D helicopters, nine A-37 attack aircraft, two C-47 airborne fire-support platforms, eight O-2A reconnaissance planes, and 15 fixed-wing transports to include two C123Ks.
- Navy assets, while still minimal, have been increased by 12 21- to 25-ft patrol boats, three 100-ft patrol craft, and one 65-ft patrol craft. (S NF)

This expansion has been accompanied by improved performance in several areas, resulting in more aggressive prosecution of the war effort. These improvements include:

- A reorganization of the 350-man hunter battalions into 34 larger 390- or 580-man battalions, and the addition of increased firepower provided improved combat capability against large guerrilla units.
- At least 19,000 Salvadorans on active duty have received some US military training in areas rang-

ing from counterinsurgent operation to equipment maintenance. This figure includes more than 1,400 junior officers and cadets.

- The advancement of younger, more aggressive officers with field experience to key positions has helped to shake the lethargy out of some garrison units.
- More effective use of tactical intelligence has resulted from expanded training and substantial US assistance.
- Improved recognition of the value and emphasis on psychological operations through a bounty program and other projects has met with some success. (S NF)

Improvements in military capabilities and performance are likely to continue and should result in additional gains on the battlefield this year:

- A 3,000-man increase in troop strength is under way, to include a new Navy battalion to assist interdiction operations along the southeastern coastline. The Navy is also scheduled to receive an additional 77-ft patrol boat.
- An in-country training facility, the National Basic Training Center, will become fully operational, capable of receiving 250 recruits every two weeks and providing training for two battalions every eight weeks.
- Air assets are scheduled to be augmented by four Hughes 500-E and 10 more UH-1H helicopters, five additional C-47 transports, and new O-2A reconnaissance aircraft. (S NF)

immediate danger associated with the elections is that Duarte might be assassinated. (S NF)

The Military Balance

Improving Military Performance and Capabilities

27. Duarte has inherited an improving military situation, and many key trends affecting the military balance of power now appear to be running in the government's favor. This has been a major factor in reducing financial support for the guerrillas, contributing to their recruitment problems and desertions, and placing added strains on guerrilla unity. The change in the political environment has complemented improvements within the armed forces in producing the more favorable military situation. (S NF)

28. We believe that the favorable military trends will continue despite the likelihood of sporadic tactical

setbacks and continuing deficiencies in military capabilities and performance. The turning point probably occurred between November 1983 and January 1984 when, because of strong US pressures, Vides began to implement some key changes in the armed forces. As a result, the traditionally weak General Staff was overhauled and younger and more aggressive officers were placed in key field commands. These and other subsequent reforms in tactics, improved training, and the infusion of new equipment have helped to transform what long was an antiquated and conventional military force into one increasingly capable of waging counterinsurgent war (see inset). (S NF)

29. As a result of these and other positive developments, military performance improved markedly in 1984. Units of all sizes, from squads to battalions, have increasingly operated in guerrilla-infested areas, and

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with greater success at keeping the insurgents on the defensive. The armed forces have become more effective at damaging guerrilla infrastructure and complicating guerrilla logistics within El Salvador. Evidence from numerous sources indicates that the guerrillas have suffered from mounting shortages of ammunition, medicine, and other needed goods. Captured guerrillas and a large number of defectors have described deteriorating and spartan conditions in insurgent base areas and camps and complained of harsh discipline by guerrilla leaders. Some have described their fear of Air Force attacks that they believe have contributed to serious morale problems in guerrilla units. Some have also cited the Army's greater effectiveness and their belief that they can no longer expect to defeat the military. This has been underscored by the fact that the insurgents have inflicted significantly fewer casualties on the armed forces than in preceding years, and they are capturing less materiel. ~~(S NF)~~

30. Unlike in previous years, moreover, when periods of improved military performance alternated with cycles of heightened guerrilla effectiveness, the military balance appears to have slowly but steadily shifted in favor of government forces over the last year or so. Guerrilla efforts in late 1983, culminating in an assault over the New Year's weekend on a brigade headquarters and the destruction of a major highway bridge, were the last major successes that they have been able to achieve. The insurgents have been able to conduct a few spectacular attacks on strategic targets, but none of these has shifted the momentum in their favor. Furthermore, the insurgents did not mount a major offensive in 1984, apparently because of their growing internal difficulties and the greater success of the military in disrupting their supply lines. Nevertheless, on a few occasions during 1984, the insurgents demonstrated that they can still inflict heavy casualties on poorly trained and led government units in surprise attacks. ~~(S NF)~~

Continuing Military Deficiencies

31. Many deficiencies and weaknesses persist in the military, however, and will continue to undermine its performance and contribute to occasional costly losses. The deaths in a helicopter crash last October of two of the Army's best young commanders were probably the result of continuing poor counterintelligence and security. After conducting a study of the helicopter wreckage and the crash site, US specialists concluded that a bomb had probably been planted aboard the aircraft. The military also continues to suffer from generally low competence in aircraft maintenance, with the result that as much as half of the helicopter fleet has

often been inoperative. Security at strategic targets such as the Ilopango airbase, where nearly the entire inventory of aircraft is located, has often been lax. ~~(S NF)~~

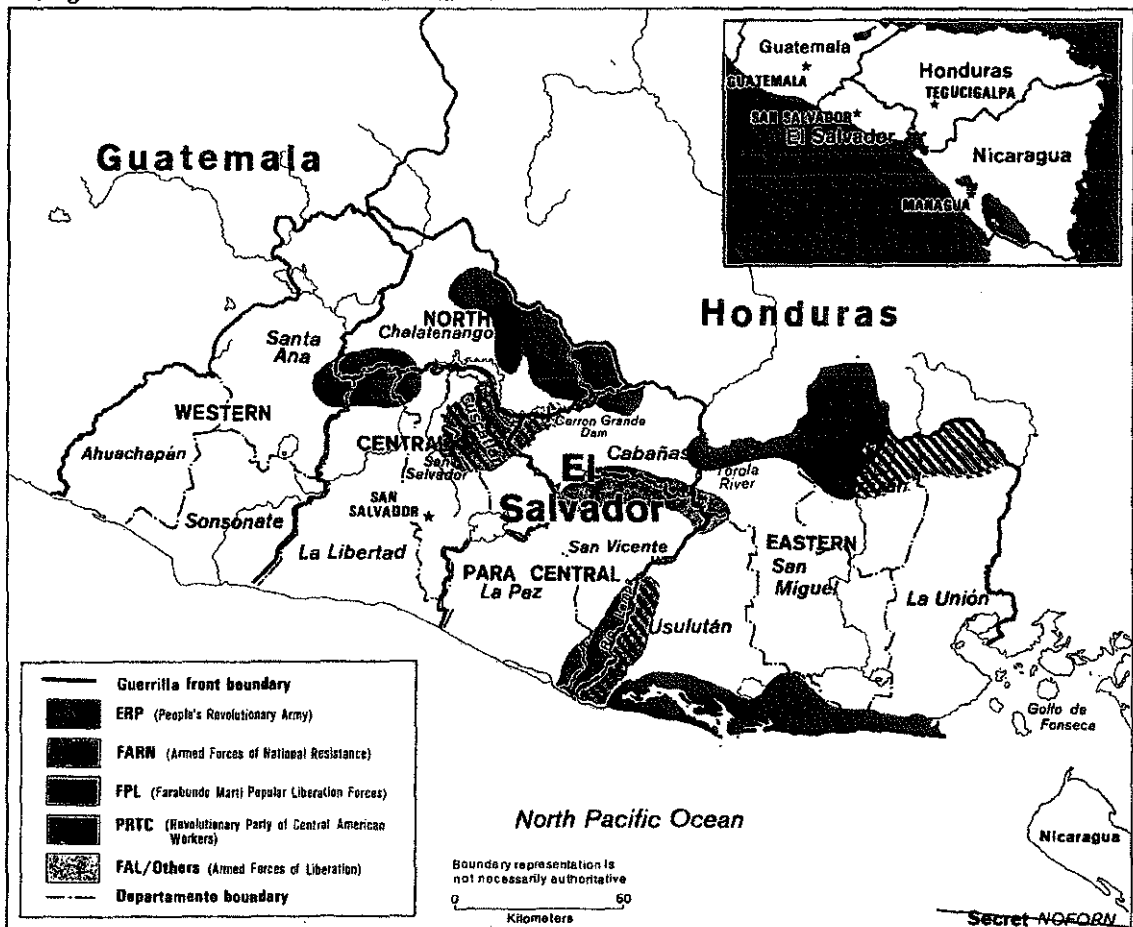
32. The military is also seriously handicapped by its general inability and reluctance to conduct night operations. The only limited progress that has been made so far in that regard has probably not yet had much of an impact on denying the guerrillas the virtually free movement they enjoy after dark for infiltrating and transporting supplies, relocating troops, and massing forces for surprise attacks. Though improved, the timely and effective use of intelligence remains an important deficiency. Though more information is available, some commanders are slow or unwilling to act on it. The military's ability to move reinforcing units quickly has improved, but troops continue to fall into ambushes. And, despite the progress that has been made in centralizing, planning, and streamlining command and control, leadership problems persist. This is most evident in the failure of the military yet to succeed in surrounding or defeating a sizable guerrilla force in combat. In addition, the military's inability to interdict a guerrilla resupply shipment, despite large infusions of information on guerrilla resupply routes and methods, remains a key weakness. ~~(S NF)~~

33. Finally, civic action and civil defense remain among the worst deficiencies of the military and the government. The national plan to rebuild San Vicente and Usulután—two agriculturally and strategically important departments (see figure 2)—and to win "the hearts and minds" of the people has had only limited success in San Vicente and virtually none in Usulután. Civilians in some rural areas appear enthusiastic to take up arms to protect their villages and farms once the guerrillas are driven away, but shortages of weapons and funds, and the Army's inability to provide adequate support and leadership have impaired progress. And, in some areas—most critically in Usulután—military commanders are incompetent and disinterested either in mounting civic action and civil defense programs or in conducting aggressive counterinsurgency operations. Major new civil defense programs are under way that are designed to translate the progress being made by effective field commanders into permanent pacification and economic development in areas where the guerrillas have long been entrenched. This will require substantial resources, close cooperation between civilian and military authorities, and a clear and strong commitment—so far lacking—to civil defense. ~~(S NF)~~

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Figure 2
Insurgent Fronts and Areas of Concentration



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The Declining Fortunes of the Guerrillas

34. We believe that guerrilla prospects are worse than at any time since the insurgent alliance was formed in 1980. The five guerrilla groups that comprise the Farabundo Martí National Liberation Front (FMLN) (see figure 3) and its political and propaganda front group, the Revolutionary Democratic Front (FDR), have been afflicted by considerable and occasionally open stress, including leadership strife and discord over strategy and methods. These and other internal problems and deficiencies seemed to increase in 1984, and we believe they are likely to persist, and probably get worse. ~~(S-NF)~~

35. Supply shortages and disruptions to their logistics continue to impair insurgent performance. The insurgents have increasingly resorted to small-scale actions over the last year or so, particularly against

civilian targets. The number of major attacks and those against military targets has decreased—probably as a result of the government decision to consolidate and strengthen its isolated garrisons, improve its quick-reaction capability, and keep the insurgents on the defensive. As a result of their inability to regain and hold the military initiative, insurgent leaders have resorted to seemingly desperate measures to augment their forces, to keep them in line, and to attack the country's economic infrastructure. ~~(S-NF)~~

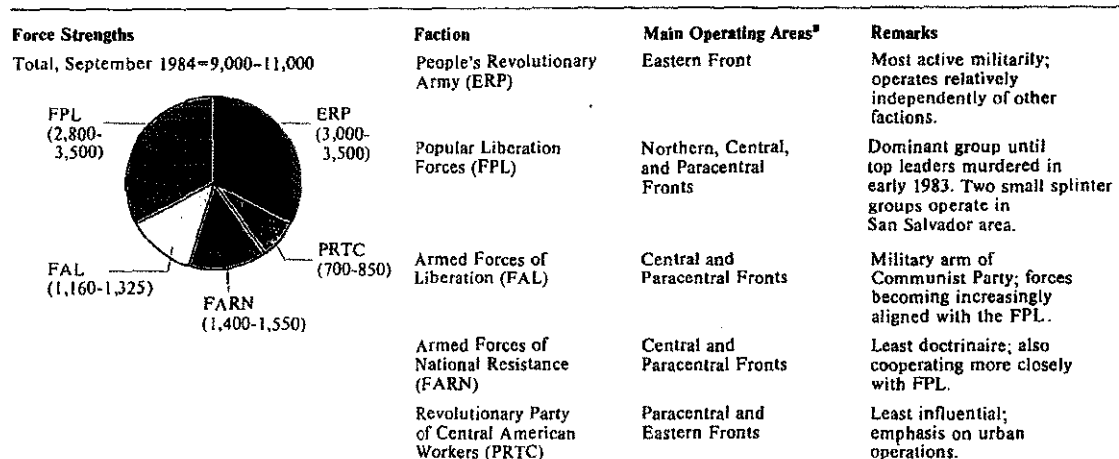
Popular Support

36. The guerrillas' credibility and popular support have fallen sharply over the last few years. The agrarian reform effort (see inset on page 16), the high voter turnout and levels of enthusiasm for the elections in 1982 and 1984, the sharp decline in rightwing death

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Figure 3
Components of the Farabundo Marti National Liberation Front (FMLN)



* The five factions that comprise the FMLN are organized into five geographic fronts (see Figure 2).

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squad activities and human rights abuses, as well as other positive developments, have helped to deprive the extreme left of galvanizing issues that previously worked strongly to its advantage (see inset on page 17). In fact, there is growing evidence of rising popular indignation over the guerrillas' frequent attacks on civilian targets, their forced inductions, and other abuse of the population. In some areas where they have long been entrenched, the local people are increasingly hostile to them. Isolated rural populations—many of whom in the past collaborated with the insurgents—have fled in large numbers to safer places near military bases or to refugee centers. We know that the area of Morazan department north of the Torola River, where numerous guerrilla bases and training areas have long been concentrated, is now largely depopulated after more than 6,000 people evacuated in 1984. These trends leave the guerrillas much more vulnerable, both to counterinsurgent forays by the military and to betrayal by hostile civilians. (S-NF)

Guerrilla Strength

37. The total number of armed insurgents grew from about 2,000 in 1978 to a peak of between 9,000

and 11,000 by 1984. This expansion was attributable mostly to the fuller integration of militia forces into combat units and the acquisition through capture and infiltration in 1982 and 1983 of enough modern weapons—mostly automatic rifles—to arm all combatants. Intent on compensating for the steady expansion of military capabilities, insurgent leaders endeavored in 1984 to augment their forces by as many as 4,500 additional personnel. In fact, we estimate that until September 1984, when they largely abandoned the practice because it was so counterproductive, the guerrillas impressed about 3,000 young people. (S-NF)

38. We believe that guerrilla strength is likely to decline over the next year or so based on a number of negative trends already evident. These include the lower level of major insurgent attacks last year, increasing defections, persistent reports of lower guerrilla morale, serious recruitment problems, and severe financial difficulties. (S-NF)

Guerrilla Capabilities

39. Despite its mounting problems, the guerrilla coalition remains a potent and destructive force and

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Progress on Land Reform

Duarte's firm support for agrarian reform has kept the program on track, though problems persist. Nearly five years of land reform has turned one-fourth of El Salvador's farmland over to nearly 100,000 peasant families. Large estates were converted into cooperatives by 1983. While the time allotted for the transfer of plots to tenants ended in June 1984, Duarte has pledged to consider requests from peasants who failed to meet filing deadlines. El Salvador's new constitution gives owners of medium-sized farms until the end of 1986 to reduce their holdings to no more than 605 acres. ~~(C NF)~~

During the past year, land reform agencies have used new leadership and increased funding to step up their activities. In June, Duarte appointed campesino leaders as directors of the Salvadoran Institute of Agrarian Reform (ISTA) and the National Financier of Agricultural Lands (FINATA), replacing the previous ARENA-controlled management. Because control of most of the affected land has already been given to peasants and new cooperatives, program implementation has shifted to settling titles, providing credit and technical assistance, and compensating former owners. During 1984, permanent land titles were provided to 6,460 peasant families, nearly double the number issued in 1983. Compensation settlements paid by FINATA to former landowners jumped to \$58 million in 1984, a cumulative total of \$180 million. In addition, ISTA officials completed over 13,000 field inspections during 1984

and were able to assess land values on over 12,000 parcels of land. ~~(C NF)~~

Local resistance to land reform is easing. The Embassy reports increased cooperation between former landowners and agrarian reform officials following the broad acceptance of land reform compromises in the new constitution. Illegal evictions of peasants by former owners are down substantially. Moreover, land reform officials report that the large majority of the peasants who had been removed from their land have been reinstalled. Nevertheless, bitter feeling over the program continues as former landowners complain of "inadequate" compensation and fear that land reform bonds will never be fully redeemed. ~~(C NF)~~

Consolidation of the land reform program continues to be undermined by a number of factors. Insurgent violence remains the key concern, and a large number of peasants have abandoned their lands, particularly in the eastern departments. Despite the larger budget, the needs for extension service to boost meager peasant skills still exceed the government's capacity. Problems with peasant credit and financing remain severe. Many reform beneficiaries are having difficulty coping with their new debt obligations and peasants lack budget experience at the same time that poor crop prices have cut farm earnings. ~~(C NF)~~

will undoubtedly inflict new damage on the military and the economy. During the more than five years that they have waged large-scale insurgency, guerrilla leaders have developed a highly mobile and well-ordered force structure. The combat effectiveness of the guerrillas continues to be high, and they are capable of inflicting heavy casualties on poorly trained or led units. The insurgents continue to dictate the terms and pace of most tactical encounters, are able to elude military patrols and operations with little difficulty, and avoid major engagements except at times and places of their choosing. As already noted, they excel at ambushing military units and continue to operate virtually at will after dark. They are well armed with a variety of mostly Western-manufactured weapons, and continue to receive ammunition and other supplies from Nicaragua and Cuba. ~~(S NF)~~

40. The guerrilla leadership has benefited from the cumulative experience of the Cuban and Nicaraguan regimes in all political and military aspects of covert and guerrilla operations. As a result, they have developed an ability to collect and use intelligence that continues to surpass that of the military, and counter-

intelligence skills that severely limit the government's ability to penetrate their forces. The guerrillas employ reliable and secure voice communications with advanced equipment, have used computers in at least one of their safehouses, and have managed to keep their principal radiobroadcasting facility—Radio Venceremos—on the air for more than five years with few lasting interruptions. The insurgents have maintained training facilities at base areas in El Salvador and have even provided troupes of entertainers. Most guerrilla leaders probably remain determined and tenacious in their commitment to prolonged struggle, and will be unlikely to accommodate themselves to the Duarte government without winning major concessions. ~~(S NF)~~

The Political Outlook

41. Assuming that Duarte and his allies get through the Assembly elections without suffering any serious setbacks, they will still face many powerful forces arrayed against them, and will be severely constrained in their ability to advance programs or initiatives opposed by the military, rightist political parties, and other opposition groups. The President's room for

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Revolutionary Fever and the Evolution of the Insurgency

The guerrilla groups all formed during the 1970s, after a number of years of substantial economic and demographic growth in El Salvador that was accompanied by rapidly rising, but frustrated, popular expectations. The fraudulent outcome of the 1972 presidential elections gave considerable impetus to the revolutionary fever that steadily rose through the decade. By nearly all measures—landholding patterns, disparities in the distribution of wealth and income, human and civil rights, and opportunities for economic advancement—El Salvador was one of the most inequitable and polarized societies in Latin America. The young—nearly 90 percent of the people were under 40 by the late 1970s—and restless population was increasingly alienated in the face of an inflexible and repressive order. (S)

A large percentage of the country's intellectual elite; many middle-class youth; Catholic clergy; urban-working-class supporters of the Communist, Christian Democratic, and other left-of-center political parties; and even some in the military were radicalized as they became convinced that only violent methods could force the military and the small oligarchy to share political and economic power. Indeed, nearly all of the conditions associated with revolutionary upheaval grew steadily worse through the 1970s as revolutionary forces confronted the unyielding extreme right amid rising levels of violence. (S)

Though many young Marxists and members of the Communist Party assumed leadership positions in the revolutionary forces, they were greatly outnumbered by young idealists, nonideological working-class people, followers of radical liberation theology, and socialist professionals. The success of the Sandinista revolution in Nicaragua in July 1979 further accelerated the rise of revolutionary fever in El Salvador, and, because Salvadoran guerrilla units had helped in that conflict, established the strong international Marxist-Leninist connections that since then have increasingly characterized the revolutionary forces. (S)

The first significant reforms aimed at assuaging revolutionary sentiments were designed or implement-

ed by the junta government that emerged from a coup in October 1979 that was conducted by progressive military officers against more than 100 of their seniors. A sweeping agrarian reform, nationalizations of the banks and of the export of coffee and other key crops, and the promise of fair elections were the major steps taken to redistribute economic and political power. The economic reforms resulted, however, in a powerful rightwing backlash and leftwing sabotage that caused the collapse at the end of the year of the reformist government and the radicalization of many of its members. (S)

Many from the junta and the cabinet—including Guillermo Ungo and Ruben Zamora, now the two top figures in the Revolutionary Democratic Front, and other Social Democrats and Catholic intellectuals—abandoned the system and allied with the extreme left. They were joined, moreover, by elements of the leftwing and youth branch of the Christian Democratic Party. Thus, despite the reforms and the emergence in early 1980 of a new civilian-military regime that included Duarte and other Christian Democrats, polarization and violence continued to rise. Substantial amounts of Cuban and Nicaraguan support reinforced the revolutionary forces, and, at Fidel Castro's urgings, the several guerrilla groups formed the FMLN that year. (S)

Guerrilla ranks and their support cadre continued to swell over the next year or two, elevating the coalition to what probably became the largest guerrilla movement in modern Latin American history. Large-scale and savage rightwing retribution during those years contributed to the highest levels of carnage that have occurred during the six or seven years of revolutionary conflict. And, until the March 1982 elections, levels of violence and popular support for the Marxist-Leninist-dominated insurgency remained at consistently high levels. In retrospect, we believe those elections represented the turning point in guerrilla fortunes, and that since then the revolutionary fever has steadily declined. (S)

maneuver will continue to be narrow, and, as in the past, he will be forced to seek tactical alliances on certain issues in order to make legislative progress. He will continue to press for certain core objectives—judicial reform, consolidation and extension of the agrarian reform, wage and other benefits for workers—but, if he is to achieve anything in those areas, he will be forced to make major concessions in order to win necessary support from more moderate elements in the opposition parties. Such concessions would probably have to include, for instance, placing conservative and private-sector representatives in his cabi-

net, allowing businessmen greater freedom to market coffee independently of the government monopoly, and undertaking economic and financial reforms beneficial to private-sector interests. (S NF)

42. We believe, therefore, that Duarte will continue to walk a political tightrope throughout his term, seeking on the one hand to retain—and perhaps expand—support in his traditional constituencies on the left, while compromising with business and political interests on the right. Other factors could help, nonetheless, to encourage Duarte and opposition elements to forge constructive compromises. Specifically,

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the next national elections will be three years in the future, and antidemocratic and extremist forces will have lost another major opportunity to undermine stability and revive their fortunes. (S NF)

43. There may, therefore, be a greater chance than in recent years that some key rightist leaders will reassess the advantages of persisting indefinitely in violent confrontation or of somehow accommodating to new political realities. Extreme rightists, including D'Aubuisson, will probably be more isolated and expendable, and, if the government were to offer appropriate inducements to the PCN, D'Aubuisson's opponents in ARENA, and other rightist elements, some may be more likely to abandon confrontational tactics. If Duarte were to adopt a more conciliatory stance toward conservative and business interests, moreover, the chances would improve over the next year or so that a working arrangement between the executive and legislative branches, and between the public and private sectors, will evolve on important national issues. (S NF)

44. Duarte's strongest asset is the evident support of the US Government. This, combined with his international prestige and a firm—if minority—political base, should enable him to defend the reforms achieved thus far and possibly extend them slightly in areas where new legislation is not required and executive powers can be employed. He is likely, however, to be repeatedly frustrated by hostile rightist elements in the Assembly intent on defending its narrowly defined interests. Duarte, moreover, will have to increase his efforts to retain the always tenuous allegiance of the armed forces. He can probably continue to exert discreet pressure on the high command to relieve incompetent commanders and officers connected with death squads, thereby over time reducing the likelihood of a coup against his government. However, attempts on his part to assert more than nominal authority over the military hierarchy or to interfere directly in internal military affairs are likely to bring a sharp, and possibly disastrous, reaction. (S NF)

45. Partisan political bickering will probably persist and sporadically reach high and destabilizing levels, prompted at times by Duarte's sometimes mercurial behavior. One of the greatest dangers in our view is that he will refuse to allow conservative and private-sector interests a greater economic and political role. We are concerned, for instance, that he will not be able sufficiently to overcome his previously strong populist biases against the profits and personal spending and consumption habits that successful businessmen will be likely to consider the minimum benefits of reinvesting in the economy. By all indications

Duarte shows little understanding of development strategies, international finance and trade, or the risks of entrepreneurship. In fact, he often speaks vaguely but passionately about developing the Salvadoran economy by encouraging handicrafts, neighborhood enterprises, and the informal economy—all with an emphasis on social rather than economic equities. When he meets with leading and qualified private-sector representatives, for example, he has the unfortunate tendency to lecture them rather than to explore alternative approaches to development. (S NF)

46. Moreover, Duarte remains under considerable pressure from leftwing members of his party and his traditional constituencies, especially labor and peasant groups, to adopt activist and demand side policies like those he advocated until a few years ago. Labor, which has provided him solid backing in all of his campaigns over the years, expects social reforms to continue under his leadership. Union activity and strikes increased in 1984, and with unemployment and underemployment affecting about half of the work force, we expect that their agitation will increase in 1985. It would be impossible, however, for him to go very far with such approaches over the next year or so because opposition from the military, the Assembly, and the private sector would be so great. But even a leftward tilt by his administration would dampen prospects for economic recovery, exacerbate old antagonisms, and raise the specter of impeachment—which requires only a majority in the Assembly and ratification by the Supreme Court—or a coup. His main motive if he were to take these risks would probably be to try to attract Social Democrats, Catholic radicals, former Christian Democrats, and other non-Marxist members of the guerrilla coalition back to the legitimate political process. (S NF)

47. Political institutions and frameworks for peacefully resolving disputes have only recently begun to emerge in El Salvador, and the legacy of mistrust and antipathy will take years to assuage. If Duarte were assassinated, the constitutional provisions for succession would probably be adhered to, at least initially. Vice President Rodolfo Castillo, a lackluster Christian Democrat who has been in poor health, would be unlikely to fill the vacuum for long, however, and a period of rising instability would ensue. We believe that, if opposition to him reached high levels, Castillo might be persuaded by Christian Democratic colleagues and other influential political figures to resign the presidency. The next in line constitutionally is First Alternate Vice President Abraham Rodriguez, a founding member of the Christian Democratic Party who was inactive politically for many years until he was appointed with broad support to his present post

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in 1984. Rodriguez would be acceptable to conservative and even some extreme rightwing leaders. ~~(S NF)~~

Civil-Military Relations

48. Perhaps the key domestic political determinant of stability will be the state of play between Duarte and the officer corps. He will endeavor both to allay their fears and doubts about his leadership while also gradually attempting to extend his authority over them. We believe that, if the President continues to pursue a generally pragmatic approach, and especially if he moves by mid-1985 to conciliate conservative interests, he will make progress in both of these objectives. He has a de facto ally in Minister of Defense Eugenio Vides, who recognizes Duarte has strong US backing. He also has won the cooperation and qualified confidence of Chief of Staff General Aldofo Blandon, and the majority of the officer corps for the same reason. ~~(S NF)~~

49. Nonetheless, a minority of officers—perhaps 15 percent—remains largely unreconciled to Duarte's presidency and constitutes a major and durable threat to stability. Most have close links to D'Aubuisson, and probably lend covert support to him and his party. The potential danger posed by this group was illustrated by one of its key leaders, Colonel Sigifredo Ochoa. He led a barracks revolt in early 1983 that resulted in the resignation of the former defense minister, and has long been associated with extreme rightwing leaders and groups. Air Force Commander General Juan Rafael Bustillo—while not a member of the D'Aubuisson clique—remains highly critical of Duarte and reportedly was the last to ratify the dialogue with the guerrillas. ~~(S NF)~~

50. One of the potentially most dangerous hurdles the government will have to get by is the installation of a successor to Vides. Under the military's traditional promotion and retirement policies, this should occur sometime this year. The two leading contenders for his post are Generals Blandon and Bustillo. We believe Blandon is the most likely successor to Vides, and that, because of his pragmatism, he would be more inclined to collaborate closely with Duarte and the United States than would Bustillo. ~~(S NF)~~

Dealing With the Extreme Left

51. A key factor affecting civil-military relations over the next few years is likely to be the degree to which Duarte and the military leadership remain united in dealing with the guerrillas. Thus far, the trends seem positive, especially in the aftermath of the second round of discussions in November 1984. By confronting the government with unacceptable de-

mands in those talks, including the fusion of guerrilla and military forces and the scrapping of the 1984 constitution, the insurgent leaders gave a boost to the civil-military relationship. Top officers felt vindicated in their hard line toward negotiations, and Duarte saw his paramount goal of consolidating constitutional government linked to those objectives. He has exploited this linkage skillfully, even winning snide approval from D'Aubuisson for the hard line he took in spurning the guerrillas' demands, and no doubt will continue publicly to connect the constitution and rule of law to the integrity of the armed forces. On the other hand, however, his efforts have prompted some backlash by more hardline members of the military. ~~(S NF)~~

52. By midyear we believe he will be likely either to urge the military to approve a new round of talks or to float some new ideas, perhaps in connection with the Contadora negotiating process. His objectives would be limited and calculated to minimize military and opposition party sniping: to divide and weaken the extreme left; to persuade at least some of its leaders to abandon violent struggle; and to regain the initiative and the high moral ground that he seized in October 1984 when he first challenged the guerrillas to talk. Duarte has emphasized in meetings with US officials what he considers the critical importance of eliminating the insurgency by 1986, and will be unlikely, in our judgment, to abandon efforts to win military backing for new efforts at dialogue, despite the tensions such efforts will generate. The high command, in contrast, will prefer that new talks be contingent on dramatic progress in the counterinsurgency and unmistakable evidence that the insurgency is in serious trouble. Though we believe it is unlikely that Duarte will defy military sensitivities or prerogatives in any dealings with the extreme left, most senior officers will continue to distrust the President in this regard and monitor him and his Christian Democratic colleagues carefully. ~~(S NF)~~

53. Amnesty for guerrillas will also be a divisive and difficult issue for Duarte and the military. Rightwing groups—especially ARENA—will insist that any provisions pardoning guerrillas also be extended to those on the right accused or suspected of human rights abuses and other crimes. Compromise, therefore, will be difficult, especially if conservative and rightwing parties work together and retain their majority in the Assembly. Furthermore, the military will probably insist on including numerous safeguards in an amnesty decree to reduce the possibility that entire groups of subversives would simply relocate to the cities and take up new forms of aggressive opposition. Nonetheless, we believe some limited offer of amnesty will be likely this year, if only because it

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would probably be at least as effective as the one in mid-1984 that attracted several hundred guerrillas to defect with their weapons. (S NF)

54. At least a few guerrilla leaders have probably already concluded that the rural insurgent strategy they have pursued for the last four or five years has run its course, and that their best alternative is to return to agitation and organizational work in the cities. One top commander, Ferman Cienfuegos of the Armed Forces of National Resistance, who participated in the talks last October, admitted that political conditions that gave rise to the insurgency no longer exist and seemed more flexible and willing to compromise than any of his colleagues. We believe, however, that hardline guerrilla commanders will be able to keep Cienfuegos and any other leading doubters in line, at least in the short term, but that their task will get progressively more difficult as insurgent fortunes decline. (S NF)

55. Thus, over the next two years, we believe that defections by rank-and-file guerrillas—and perhaps by some of their leaders—will account for some attrition in their forces. This assumes that the favorable trends in military leadership and performance will intensify and that the Army will maintain a high level of aggressive counterinsurgent activity in guerrilla-infested areas. It also assumes that Cuba, Nicaragua, and other external supporters of the insurgency will not increase their level of support dramatically or provide the guerrillas with more sophisticated weapons, such as SA-7 shoulder-fired missiles. Furthermore, any lengthy lapse in counterinsurgency operations or serious and protracted disputes at the top levels of the officer corps may give the guerrillas needed time to replenish and reassert themselves. And, we wish to emphasize that, even as the guerrilla forces diminish in size and strength, they will retain the capability to concentrate forces and firepower in a manner that may result in some humiliating military losses. This would be most likely to occur as a result of military complacency, poor planning or intelligence, or egregious tactical errors. (S NF)

Cuban and Soviet Interests

56. Material support and guidance from Cuba and Nicaragua are key elements helping to sustain the insurgents, and we have no doubt that Castro and the Sandinistas will seek to bolster their allies. We know from several sources, however, that their relations with the guerrillas have been affected by concerns over a potential increased US role in the region. Following the US action in Grenada in October 1983 and the growing threat posed by anti-Sandinista forces in

Nicaragua, Cuban officials reportedly informed Salvadoran guerrilla leaders that assistance would be reduced because greater resources were needed to ensure the survival of the Sandinistas. We believe that Castro will continue to be more concerned about the security of the Sandinista regime than about the Salvadoran insurgency. (S NF)

57. The guerrillas almost certainly are concerned that the Cubans and Nicaraguans will so restrict assistance as to affect the guerrillas' survivability. Castro undoubtedly is pressuring them to overcome their rivalries and divisions in order to mount a stronger and more united challenge to the government. We believe, nonetheless, that, if present conditions and trends in Central America continue, Castro will be reluctant to make a greater commitment to provide military assistance to the guerrillas. And, if guerrilla fortunes continue to decline and factionalism increases, Havana may eventually make its material assistance contingent on performance requirements. (S NF)

58. We believe that Soviet leaders have become wary of any closer identification with the insurgency, and that Moscow's earlier confidence that the guerrillas stood a good chance of winning has waned over the last year or two. The USSR has provided worldwide propaganda backing and some military and political training to the guerrillas, and through Havana's more intimate and regular contacts with guerrilla leaders has facilitated military assistance. We believe the Soviets will continue to do so. But we also believe Moscow has refused to provide surface-to-air missiles and has prohibited Cuba and Nicaragua from transferring SA-7s to the guerrillas. Moscow apparently wants to avoid being perceived as responsible for any escalation of the fighting. Nevertheless, some guerrilla units may have a small number of SA-7s, possibly provided by Libya, the PLO, or other Third World sources. (S NF)

The Economy

59. El Salvador's dependence on the United States for economic support will continue at high levels in 1985 and beyond. Although there was some economic growth in 1984, the constraints to full recovery are so entrenched that we see only a small chance that Duarte will be able to spur much economic growth over the next two years. Growth in 1985 and 1986 will be likely to hover around 1 or 2 percent, while employment and consumption problems continue to worsen. We project that import constraints, the poor business climate, and the uncertainties associated with the continued insurgency will continue to depress the

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economy. Only under the most unlikely circumstances, including the virtual collapse of the insurgency in 1985 and further increases in already unprecedented levels of foreign aid, would the economy stand much chance of growing by more than 3 percent, thus raising per capita income. (See tables 1 and 2.) (S ~~NF~~)

60. To have any chance of achieving greater economic growth, moreover, the government would have to gain the support of the international financial community and local business and labor leaders. To do this it would have to adopt the kind of budget, trade, credit, and foreign exchange policies that the IMF would endorse. While the international financial community will expect higher taxes, wage restraints, and a sharp devaluation of the currency, business leaders will push for financial concessions as labor demands for wage increases and other benefits intensify. Thus, over the next two years, the key factors affecting the

economy will be the private business climate, government monetary and other policies, and, of course, levels of official foreign assistance. (S ~~NF~~)

61. We estimate that between \$550 million and \$600 million will be needed each year—perhaps even through the remainder of Duarte's term—to cover annual trade and service deficits of about \$300 million to \$350 million and public debt service obligations and capital flight projected to average \$250 million. Foreign financial flows from official sources would have to stay at current levels for the next few years to meet these requirements and achieve just 1-percent growth in the economy. We believe that, as more growth-oriented policies are adopted by the government, private capital will begin to return, but any significant infusion of capital through foreign investment or commercial bank lending will be unlikely in 1985 and 1986. (S ~~NF~~)

Table 1
El Salvador: Foreign Economic Assistance

Million US \$

	1981	1982	1983	1984
United States	100	178	242	335
Inter-American Development Bank	61	48	85	100
International Monetary Fund	43	68	35	—
Venezuela	41	39	50	40
Others	81	144	90	130
Total	326	477	502	605

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Table 2
El Salvador: Economic Indicators

	1979	1980	1981	1982	1983	1984 ^a	1985 ^b
Real GDP growth (annual percentage change)	-1.7	-9.0	-9.0	-5.3	0	1.5	1.0
Consumer price inflation (annual percentage change)	14.8	18.6	11.6	13.4	15.2	13.0	18.0
Central government deficit excluding foreign grants (percent of GDP)	1.2	6.2	9.2	8.7	7.4	6.7	6.0
Debt service	6.0	7.0	10.0	12.0	15.0	25.0	30.0

^a Preliminary estimate.

^b Projected.

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Implications for the United States

62. Despite the relatively favorable prospects for political, military, and—to a lesser degree—economic progress in El Salvador over the next year or so, continuation of these trends would require large amounts of US military and economic aid. Although the insurgency is likely to decline, eliminating its root causes will depend on significant economic and social progress in El Salvador. Furthermore, the country's emerging democratic institutions are likely to remain fragile for years to come. Given the entrenched political opposition to Duarte, the stability of his administration and his success at co-opting more flexible elements of the opposition will hinge to a large measure on perceptions regarding US political support. (S-~~NF~~)

63. We believe that Duarte generally will continue to accept the dependence of his government on US support for the foreseeable future. Despite this, we anticipate that the President will be pressured to demonstrate a degree of independence from Washington and the US Embassy and, over time, become much

more sensitive about anything that might seem to depict him as a US puppet. In fact, he has already established one precedent when last October he publicly reproached embassy personnel for issuing a statement condemning an alleged human rights abuse that later turned out to be a hoax. There is little chance that he would see advantage in creating a divisive bilateral issue over the next couple of years, but we believe he will be looking for opportunities to improve his somewhat tarnished credentials as a nationalist. (S-~~NF~~)

64. Ultimately, the role of the military will remain central to the government's overall prospects. Continued success in the counterinsurgency effort could tempt the armed forces to reinsert themselves more directly into the political arena and more openly vent resentment against perceived US interference. Nevertheless, the military's current dependence on Duarte for continued US assistance is likely to remain a powerful restraining factor. The support of the United States has been and will remain the key element in holding the democratization process together. (S-~~NF~~)

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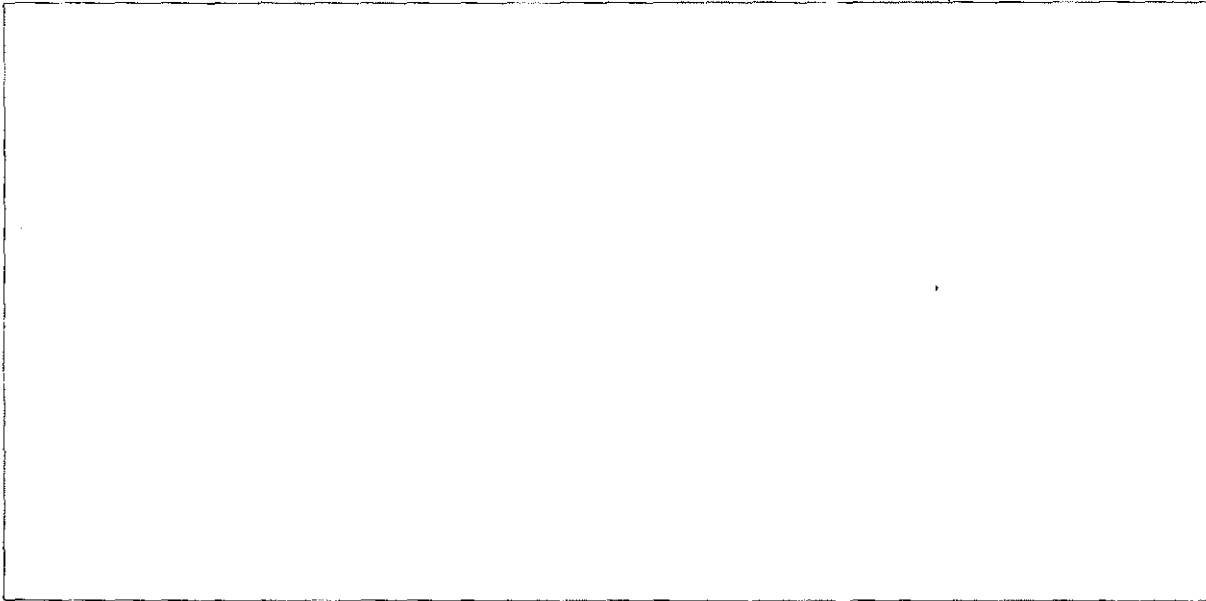
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ANNEX B

Key Indicators

Various developments in El Salvador and in levels and types of external assistance either to the guerrillas or to the Duarte government could affect substantially the assessments in this Estimate.

Indicators that the outlook would probably be more *positive*, for example, include:

- Duarte is able to forge an alliance in the Assembly with moderate rightists on key issues.
- Businessmen and rightist political leaders join the cabinet, as a result of concessions by both them and Duarte.
- D'Aubuisson and other leading extreme rightists lose credibility and support from their traditional constituencies.
- Labor, peasant, and other groups that have long supported Duarte agree to defer demands for social and economic changes and refrain from widespread strikes and violence.
- Guerrilla forces suffer significant casualties, rapid depletion of their forces through defections or an attractive government amnesty program, or increased degradation in their fighting ability as a result of equipment and supply shortages.
- Divisions among leading elements of the guerrilla coalition worsen and provide the government with new negotiating leverage or military advantage, and some leaders of the political-military coalition abandon violent struggle.
- Cuban and Nicaraguan material support for the guerrillas diminishes significantly, either as a result of more effective interdiction efforts or a decision by Castro and the Sandinistas.

On the other hand, indicators that the outlook would probably be more *negative* include:

- Duarte is incapacitated or impeached and a protracted succession crisis ensues.
- Duarte fails to reach mutual compromises with businessmen and rightist political leaders on major legislation, resulting in repeated legislative defeats.
- Rightist parties fare better than we expect in the Assembly elections, the electoral alliance between ARENA and the PCN proves durable, or D'Aubuisson enhances his position as the leading rightwing opponent of the government.

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- Labor, peasant, and other groups of the democratic left press their demands for changes through widespread strikes, demonstrations, or by resorting to violence.
- There is a major resurgence in rightwing death squad activities.
- Catholic Church leaders abandon their sympathetic stance toward the Duarte government and express new support for extreme leftwing forces.
- The military is split by open factionalism in the officer corps, possibly over the succession to Vides.
- Hardline officers win control of the military and seek a pretext to remove Duarte from office.
- The military suffers major defeats at the hands of the guerrillas, is implicated in an egregious human rights violations, or expands its powers unconstitutionally.
- The guerrilla coalition enhances its currently low popular support or is able to mount powerful new military challenges to the government.
- Cuban, Nicaraguan, or Soviet support for the insurgents increases substantially and includes new equipment such as SA-7s.
- US support to the Duarte government decreases substantially.

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